

**Internal Revenue Service
Director, Exempt Organizations
Rulings and Agreements**

**Department of the Treasury
P.O. Box 2508 - Room 7008
Cincinnati, Ohio 45201**

Number: **200935036**

Release Date: 8/28/2009

Date: June 4, 2009

Employer Identification Number:

Person to Contact:

Contact Telephone Numbers:

LEGEND

UIL# 4945.04-04

B= Foundation
C= School
D= City, Country #1
E= Secondary School #1
F= City, Country #2
G= Secondary School #2
H= City, Country #3
x= \$amount

Dear :

We have considered your request for advance approval of your grant-making programs under section 4945 (g)(1) of the Internal Revenue Code, dated, December 12, 2008.

Our records indicate that the B was recognized as exempt from Federal income tax under section 501(c)(3) of the Code and that it is classified as a private foundation as defined in section 509(a).

Your letter indicates that the B will initially be awarding scholarships in the amount of x to graduates of the C, located in D. In order to be eligible for consideration, an applicant must be a graduate of, or graduating from the C, and intend to pursue education or training beyond the primary school level. The Foundation does not expect to develop solicitation or announcement materials, or a formal application. None of the C graduates come from families with sufficient financial resources to pay the expenses associated with education beyond the primary school level. All graduates of the C will automatically be considered for scholarship awards. The Foundation may expand the scope of the program so that all handicapped children in D, with limited financial means and who show promise will be eligible to participate.

All C students and graduates will be made aware of the scholarship program by school faculty. Scholarship awards will be for one academic year, with payment directly to the post-primary educational or training institution, payable in installments at the beginning of each academic period. Recipients will have the opportunity to renew their scholarships for the succeeding academic year. Renewal, or payment of the second installment, will be conditioned upon satisfactory academic performance in the preceding academic period, and registration as a student in the upcoming period. It is expected that male scholarship recipients will attend E, near F, and female scholarship recipients will attend G, in H.

The Foundation will maintain contact with each scholarship recipient, requiring the recipient to provide academic transcripts as academic periods are completed. Failure to remain in contact with the Foundation, failure to supply the required information, or unsatisfactory academic performance will disqualify the recipient from receiving a second installment. If the recipient does not, for any reason other than illness or hardship, complete the academic period for which the award was granted, the recipient will be required to repay the full amount of the scholarship disbursed.

The Foundation expects to utilize the C as its agent in administering the scholarship program, supervising the scholarship recipients, obtaining academic records, and the like. The C will provide periodic reports to the Foundation concerning the scholarship recipients and their progress, as well as copies of all supporting documentation. The selection committee will be compiled of (i) individuals holding offices of the C and (ii) the Treasurer of the B.

The members of the selection committee and their relatives and relatives of the trustees and other officers of the B are not eligible to apply for scholarships awarded by the Foundation.

The organization agrees to maintain records which include the following:

- a. Information used to evaluate the qualification of potential grantees;
- b. Identification of the grantees (including any relationship of any grantee to the private foundation), the amount and purpose of each grant; and
- c. All grantee reports and other follow-up data obtained in administering the private foundation's grant program.

Sections 4945(a) and (b) of the Code impose certain excise taxes on "taxable expenditures" made by a private foundation.

Section 4945(d)(3) of the Code provides that the term "taxable expenditure" means any amount paid or incurred by a private foundation as a grant to an individual for travel, study, or other similar purposes by such individual, unless such grant satisfies the requirements of subsection (g).

Section 4945(g) of the Code provides that section 4945(d)(3) shall not apply to individual grants awarded on an objective and nondiscriminatory basis pursuant to a procedure approved in advance if it is demonstrated that:

- (1) The grant constitutes a scholarship or fellowship grant which is subject to the provisions of section 117(a) and is to be used for study at an educational organization described in section 170(b)(1)(A)(ii);
- (2) The grant constitutes a prize or award which is subject to the provisions of section 74(b), if the recipient of such prize or award is selected from the general public, or
- (3) The purpose of the grant is to achieve a specific objective, produce a report or similar product, or improve or enhance a literary, artistic, musical, scientific, teaching, or other similar capacity, skill, or talent of the grantee.

Section 53.4945-4(c)(1) of the Regulations provides that to secure approval, a private foundation must demonstrate that:

- (i) Its grant procedure includes an objective and nondiscriminatory selection process;
- (ii) Such procedure is reasonably calculated to result in performance by grantees of the activities that the grants are intended to finance; and

- (iii) The foundation plans to obtain reports to determine whether the grantees performed activities that the grants are intended to finance.

Based on the information submitted and assuming your scholarship program will be conducted as proposed with objectivity and nondiscrimination in awarding grants, we determined that your procedures in awarding scholarship grants comply with the requirements of section 4945(g)(1) of the Code and that scholarships granted according to these procedures will not be "taxable expenditures" within the meaning of section 4945(d)(3).

In addition, we have determined that awards made under your procedures are excludable from the gross income of the recipients subject to the limitations provided by section 117 of the Code.

This determination is conditioned on the understanding that there will be no material change in the facts upon which it is based. It is further conditioned on the premise that no grants will be awarded to foundation managers, or members of the selection committee, or for a purpose that is inconsistent with the purpose described in section 170(c)(2)(B) of the Code.

The approval of your grant-making procedures is a one-time approval of your system standards and procedures that will result in grants which meet the requirements of section 4945(g)(1) of the Code. **This determination only covers the grant programs described above.** Thus, approval shall apply to succeeding grant programs only as long as the standards and procedures under which they are conducted do not differ materially from those described in your request.

Any funds you distribute to individuals must be made on a true charitable basis in furtherance of the purposes for which you are organized. Therefore, you should maintain adequate records and case histories so that any or all grant distributions can be substantiated upon request by the Internal Revenue Service.

This determination is directed only to the organization that requested it. Section 6110(j)(3) of the Code provides that it may not be used or cited as a precedent.

You must report any future changes in your grant making procedures. Please keep a copy of this letter in your permanent records.

We have sent a copy of this letter to your representative as indicated in your power of attorney.

If you have any questions, please contact the person whose name and telephone number are shown above.

Sincerely yours,

Robert Choi
Director of Exempt Organizations
Rulings and Agreements